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Summons (17 of 17)



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FILED 2020 NOV 24 03:18 PM KING COUNTY SUPERIOR COURT CLERK E-FILED CASE #: 20-2-17142-5 SEA

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

JAMES MECKLEY and BRENDA MECKLEY, a married couple,

Plaintiffs,

SUMMONS

JUSTIN JOSEPH COSTELLO, an individual;

Defendants.

THE STATE OF WASHINGTON TO:

GRN FUNDS, LLC Justin Costello, Registered Agent 10700 NE 4th Street, #1102 Bellevue, WA 98004

GRN FUNDS, LLC, a Washington limited liability company; and GRN HOLDING CORPORATION, a Washington corporation,

TO THE DEFENDANT: A lawsuit has been started against you in the above-entitled court by Plaintiffs, James Meckley and Brenda Meckley. Plaintiffs' claim is stated in the written Complaint, a copy of which is served upon you with this Summons.

In order to defend against this lawsuit, you must respond to the Complaint by stating your defense in writing, and by serving a copy upon the person signing this Summons within 20 days (or 60 days if you are served outside of the state of Washington) after the service of this Summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where Plaintiffs are entitled to what has been asked

SUMMONS - I



for because you have not responded. If you serve a Notice of Appearance on the undersigned

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CommercialComplaint (2 of 15)



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Defendants transact business in and have their principal places of business in King County.

III. FACTUAL ALLEGATIONS

12 13 5. Plaintiffs met COSTELLO on January 27, 2019. A mutual friend brought COSTELLO over to their home for dinner that day. COSTELLO introduced himself as a self-made hedge fund billionaire with companies involved with marijuana, hemp and Cannabidiol ("CBD"). Over the next few months COSTELLO and the Meckleys discussed investing in hemp and CBD, which is an active ingredient in cannabis derived from the hemp plant that may help treat conditions such as arthritic pain, insomnia, and anxiety. Although they had little experience in investing, and had never made stock trades on their own, the Meckleys had for some time been interested in the possibility of investing in the hemp, cannabis and CBD sector as well as finding a financial investment advisor to develop and manage an investment portfolio for them.

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6. Over the course of in-person and telephonic discussions prior to the Meckleys investing with COSTELLO, he made many representations to them that, on information and belief, were false. COSTELLO'S representations include:

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 He has a Master of Business Administration degree from Harvard University.

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At just under age 40, he is the youngest hedge fund billionaire ever and would be featured on the cover of Forbes magazine in the near future.

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 He served with special forces and was shot twice. (He repeated this on numerous occasions.)

COMPLAINT - 2

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During the war in Iraq he had worked for Halliburton, directly for Dick Cheney. After he had been in Iraq two weeks, he walked his boss to a helicopter to fly out. As the helicopter flew away it was hit by rocket-propelled grenade that blew up in front of him. As he was the next in command, he took over and managed the flow of hundreds of millions of dollars that flowed through Halliburton into Iraqi construction and rebuilding projects.

 He had worked on Wall Street. The company he worked for was brought down by wild investing by someone in another division.

f. He manages money and is the primary investor for many wealthy people including a Saudi Sheik and his family. He directly approves all the expenditures of the Prince's children and family.

He is licensed to manage money and investments.

 In short, COSTELLO presented himself as a larger than life character, and he won the Meckleys' trust (and money).

 COSTELLO asked the Meckleys to invest with GRN HOLDING. He represented to them that his plan was to acquire different companies and pull them into the







Done CommercialComplaint (2 of 15)



- 8. COSTELLO asked the Meckleys to invest with GRN HOLDING. He represented to them that his plan was to acquire different companies and pull them into the holding company, making GRN HOLDING the leading conglomerate in the marijuana, hemp and CBD industry. He said his company Seedscience CBD had the only laboratory operating to FDA standards. He represented himself as the financial king of cannabis, hemp and CBD.
- 9. COSTELLO additionally offered to develop a diverse financial portfolio and manage Plaintiffs' investments. He told them to do this by setting up a brokerage account with TD Ameritrade ("TDA") (the "TDA Account"). They did so, and then he had them provide him with all access information to the TDA Account, including their password. He told Plaintiffs that this is the way it is commonly done. He had them sign an agreement to pay him 20% of the profits from their investments. He told Plaintiffs that he was giving them the "friends and family

COMPLAINT - 3



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discount" and waiving his typical investment fee.

10. COSTELLO'S misrepresentations listed above, and omissions too many to mention, were in connection with three investments he sold to Plaintiffs in July 2019:

- a. On or about July 12, 2019, COSTELLO sold Plaintiffs 500,000 shares in GRN HOLDING. Plaintiffs paid \$250,000 for the shares.
- b. On or about July 15, 2019, COSTELLO induced Plaintiffs to wire transfer \$4,000,000 to the TDA Account. Nearly all of these funds have been lost.
- c. On or about July 20, 2019, pursuant to a Stock Purchase Agreement of that date, GRN FUNDS sold Plaintiffs 9,000,000 common shares of Discovery Gold Corporation, a Nevada corporation ("DCGD"). Plaintiffs paid GRN FUNDS \$1,800,000 for the DCGD shares. At signing COSTELLO informed the Meckleys that they were restricted from selling these shares for one year.
- On July 18, 2020, COSTELLO began trading in DCGD and other securities in the TDA Account.
- 12. On or about July 20, 2019, at COSTELLO'S request, Plaintiffs signed a Trading Authorization Form which served to document in writing that they had previously authorized him to buy and sell securities in their brokerage accounts.
- On or about August 29, 2019, GRN FUNDS invoiced the Meckleys for \$29,553.17 for "20% Profit Sharing" in the TDA Account.
- 14. COSTELLO (or employees or others working under his direction) made every transaction in the TDA Account. The Meckleys did not execute any transactions. Unbeknownst to them, apparently all the stocks purchased were COSTELLO'S own penny stock companies. TDA flagged suspicious trading activity in the TDA Account. COSTELLO dismissed TDA's concerns, telling the Meckleys that TDA's "flags" were generated from algorithms because they were making too much money. Eventually TDA shut down the account. Then COSTELLO had the Meckleys open an account at Fidelity and again they gave him access and he made









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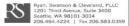
additional transactions. COSTELLO'S trading resulted in the Meckleys incurring tax liability directly due to his activity.

- 15. The United States Securities and Exchange Commission ("SEC") began an investigation of DCGD. In January 2020, Plaintiffs were subpoenaed by the SEC. COSTELLO asked the Meckleys to use his attorney to represent them with the SEC. He told Mrs. Meckley to tell the SEC that she had made all the trades in the TDA Account herself. The Meckleys told him that they were getting their own lawyer and would tell the truth to the SEC. COSTELLO told the Meckleys on several occasions that he would reimburse them for their attorney fees, but never did so.
- 16. After repeated requests, COSTELLO finally sent the Meckleys stock certificates. The Meckleys received stock transfer forms from Action Stock Transfer in Salt Lake City, Utah. Plaintiffs now believe that the certificates and the transfer forms may be fake. In any event, they appear to be worthless. The Meckleys have never received any financial returns, payments, reimbursements or follow-through on any commitment made by COSTELLO, GRN HOLDING or GRN FUND.

IV. CAUSE OF ACTION FOR VIOLATION OF THE WASHINGTON STATE SECURITIES ACT

- 17. Plaintiffs incorporate the above paragraphs as if set forth fully herein.
- 18. RCW Chapter 21.20 is the Washington State Securities Act ("WSSA").
- 20 19. The investments Plaintiffs made that are specified in Paragraph 10 above are 21 securities.
 - Defendants were sellers of securities.
 - 21. WSSA makes it unlawful for any person, in connection with the purchase or sale of any security, directly or indirectly, to employ any scheme to defraud; to make any untrue statement of or omit any material fact; or to engage in any act or practice which operates or would operate as a fraud.

COMPLAINT - 5



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- 22. Through their misrepresentations and omissions and other acts, Defendants violated WSSA.
 - WSSA provides at RCW 21.20.430 that any person who offers or sells a security in violation of RCW 21.20.010 shall be liable to the person buying the security.
 - 24. COSTELLO is both directly liable to Plaintiffs for his own misrepresentations, omissions and fraudulent acts, and jointly and severally liable as a controlling person with GRN FUNDS and GRN HOLDING for their violations of WSSA.
 - In addition, one or more of the securities Defendants sold Plaintiffs were unregistered and not subject to an exemption from registration.





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CommercialComplaint (2 of 15)



9 unregistered and not subject to an exemption from registration.

 Plaintiffs have brought this action within the time period allowed under RCW 21.20.430(4)(b).

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief against Defendants, as follows:

- For rescission of their investments, plus prejudgment interest at eight percent per annum, pursuant to RCW 21.20.430(1);
 - For their reasonable attorney fees and costs, pursuant to RCW 21.20.430(1);
- For permission to amend this Complaint; and
- For such other and further relief as the Court deems just and equitable.

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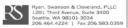
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COMPLAINT - 6



Mick M. Fleming, WSBA #6143 Roger D. Mellem, WSBA #14917 Bryan C. Graff, WSBA #38553 Attorneys for Plaintiffs RYAN, SWANSON & CLEVELAND, PLLC

1201 Third Avenue, Suite 3400 Seattle, Washington 98101-3034 Telephone: (206) 464-4224 Facsimile: (206) 583-0359

fleming@ryanlaw.com mellem@ryanlaw.com graff@ryanlaw.com

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DATED this 18th day of November, 2020.

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